

## **WORKING WITH DISABILITY: EARNINGS IN BRIEF**

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### ***How Much Are Medicaid Buy-In Participants Earning?***

By William E. Black, Su Liu, and Henry T. Ireys

*The Medicaid Buy-In program is a key component of the federal effort to make it easier for people with disabilities to work without losing health benefits. Authorized by the Balanced Budget Act of 1997 (BBA) and the Ticket to Work and Work Incentives Improvement Act of 1999 (TWWIIA), the Buy-In program allows states to expand Medicaid coverage to workers with disabilities whose income and assets would ordinarily make them ineligible for Medicaid. To be eligible for the Buy-In program, an individual must have a disability (as defined by the Social Security Administration) and earned income, and must meet other financial eligibility requirements established by states. As they do in most areas of the Medicaid program, states have the flexibility to customize their Buy-In programs to their unique needs, resources, and objectives. As of December 2004, 32 states were operating a Medicaid Buy-In program, bringing total nationwide enrollment to 76,679.*

*This issue brief, the first in a series on workers with disabilities, documents the earnings of Medicaid Buy-In participants in 2004. Subsequent issues will profile participants' characteristics, health care use and expenditures, and involvement in other public programs for people with disabilities.*

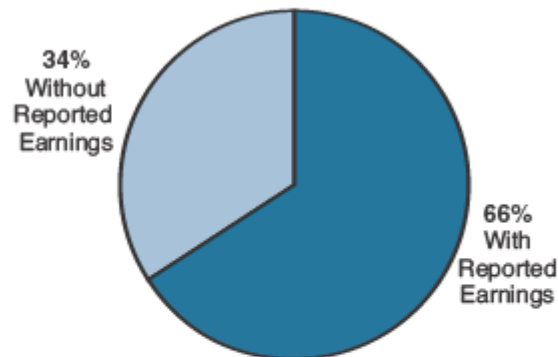
Given that sustained employment for people with disabilities is central to the Medicaid Buy-In program, policymakers will likely be interested in two questions: Are Buy-In participants working? And if so, how much do they earn? To address these questions, Mathematica Policy Research, Inc. (MPR) examined two indices of Buy-In participants' earnings in calendar year 2004—(1) the percentage of participants with reported earnings and (2) average earnings among participants who reported any earnings. Annual earnings data for this analysis are based on information reported to the IRS on W-2 forms by all individuals ever enrolled in the Buy-In programs of 27 states in calendar year 2004.

The analysis showed that the majority of Buy-In participants (66 percent) had reported earnings in 2004 and that the average annual earnings of these people was \$7,246. As discussed below, results for both measures varied markedly across states, the differences being related to a number of factors including the context in which the program operates, the features of each state's program, and the individual characteristics of each program's participants.

### What proportion of Buy-In participants have reported earnings?

About two-thirds (66 percent) of Buy-In participants reported at least some earnings in 2004 (Figure 1). This share varied across states, from a low of 38 percent in Missouri to a high of 95 percent in Illinois (Figure 2). In 21 of the 27 study states, 74 percent or more of Buy-In participants had reported earnings in 2004.

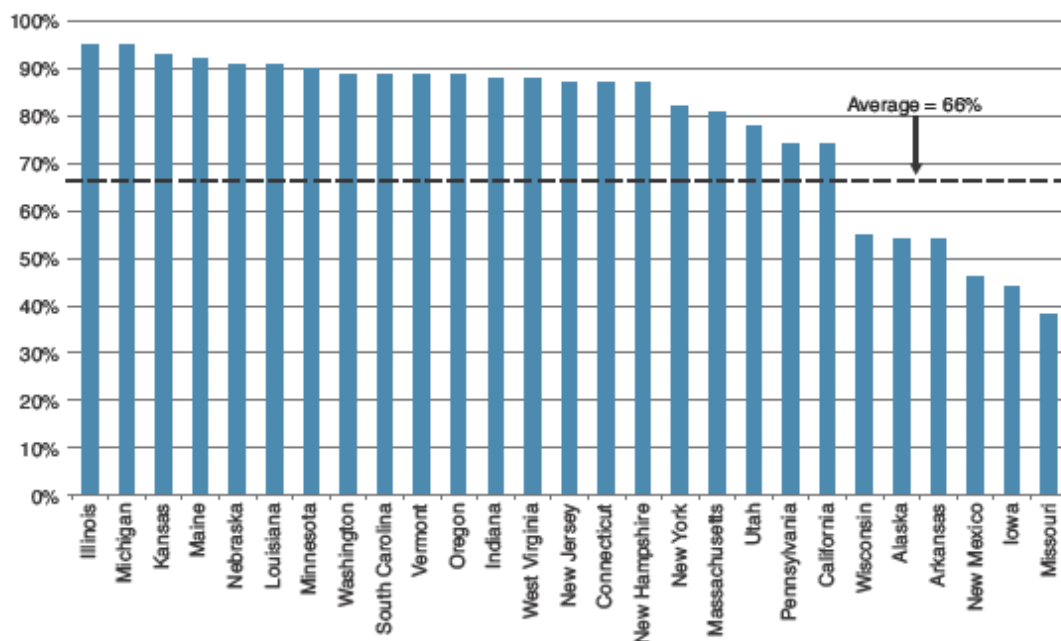
**Figure 1. Percent of Buy-In Participants with Reported Earnings, 27 States, 2004**



Notes: Results are based on all Buy-In participants ever enrolled in the program in 2004. Some Buy-In participants may have earned some of their annual earnings while not on the Buy-In program if they were not enrolled for the entire calendar year.

Data Source: Buy-In enrollment information from 27 states linked with calendar year earnings data from the Social Security Administration's Master Earnings File.

**Figure 2. Percent of Buy-In Participants with Reported Earnings, by State, 2004**



Notes: The average percent of Buy-In participants with earnings is calculated among participants in all 27 states. Some Buy-In participants may have earned some of their annual earnings while not on the Buy-In program if they were not enrolled for the entire calendar year.

Data Source: Buy-In enrollment information from 27 states linked with calendar year earnings data from the Social Security Administration's Master Earnings File.

Although earned income is a prerequisite for participation in the Buy-In program, some participants did not have reported earnings. Two reasons may account for this. First, 18 of the 27 states in Figure 2 allowed individuals to remain on the program for a limited time while they were unemployed. The rationale was that, like workers without disabilities, those with disabilities may be subject to layoffs or other economic changes beyond their control that cause them to become unemployed. In addition, they may suffer acute health problems that force them to leave the employment rolls for periods of time. Second, some workers, like those in sheltered workshops, may not be required to report earnings, and those who work as tutors or babysitters, for example, may not report earnings at all.

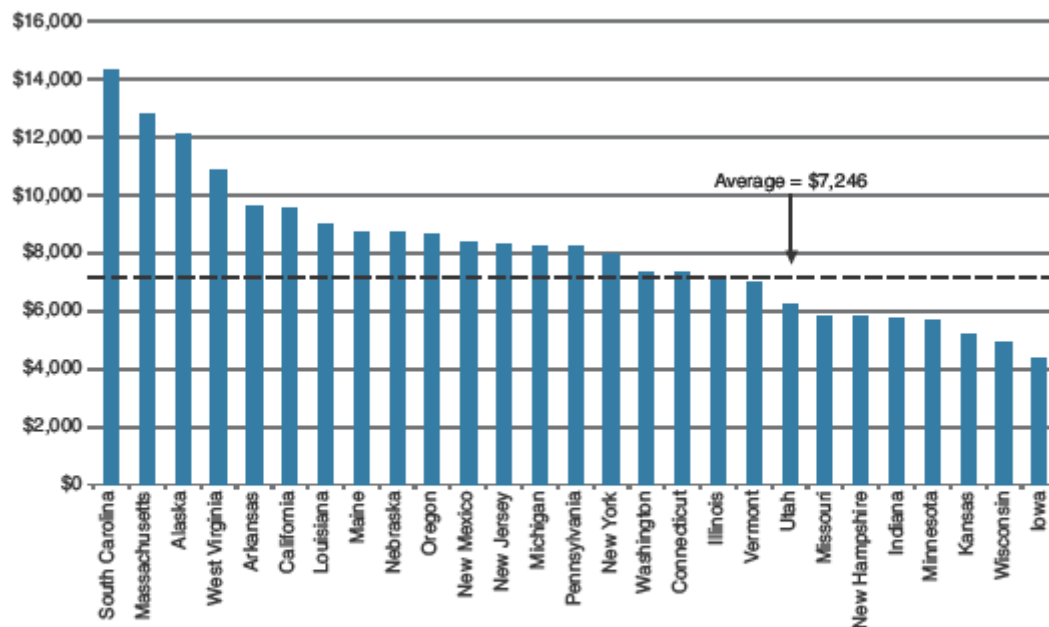
### What are Buy-In participants' average earnings?

Earnings averaged \$7,246 among the 66 percent of participants with reported earnings in 2004. This is equivalent to 78 percent of the federal poverty level, which was \$9,310 in 2004. In terms of hours worked, annual earnings of \$7,246 translates into an average of about 28 hours per week if participants earned the federal minimum wage (\$5.15 per hour in 2004).

Although the average annual earnings suggest that many Buy-In participants live in poverty regardless of the fact that they work, other reports indicate that many of these

workers have other sources of income. For example, about 72 percent of Buy-In participants receive Social Security Disability Income (SSDI) payments (Liu and Ireys, 2006), and some may have income from dividends or investments. Moreover, earnings varied widely from state to state in 2004, ranging from a high of \$14,342 in South Carolina to a low of \$4,337 in Iowa (Figure 3). In 10 of the 27 states in the study, average annual earnings were below the national average of \$7,246.

**Figure 3. Average Annual Earnings of Medicaid Buy-In Participants, by State, 2004**



Notes: Results are calculated among Buy-In participants with reported earnings in calendar year 2004. The average across all states is calculated among participants in all 27 states. Some Buy-In participants may have earned some of their annual earnings while not on the Buy-In program if they were not enrolled for the entire calendar year.

Data Source: Buy-In enrollment information from 27 states linked with calendar year earnings data from the Social Security Administration's Master Earnings File.

### What factors contribute to state-to-state differences in earnings?

Three broad factors are responsible for state-to-state variation in the percent of Buy-In participants with earnings and in average earnings (Figures 2 and 3).<sup>1</sup>

**Program context.** The context in which a Buy-In program operates can affect the earnings of participants. For example, the local economy can influence wages and the number and type of available jobs. A state's social service infrastructure for people with disabilities—the extent of vocational rehabilitation programs, for example—may also affect earnings. Further, the eligibility criteria for other public programs for working adults with disabilities (e.g., Medicaid's medically needy program) affects the number and type of individuals who enroll in the Buy-In program and thus the earnings for Buy-In participants overall.

**Program features.** Because states are free to tailor their Buy-In programs to their own needs, the resulting differences in program features contribute to differences in program outcomes, such as the share of participants with earnings and average earnings. For example, although states are not permitted to require a minimum level of earnings or work hours to be eligible for the program, they can set an income limit.<sup>2</sup> As a result, 20 states limit countable income to 250 percent of the federal poverty level at most when determining eligibility, and 3 other states have no countable income limit at all.<sup>3</sup> Other state-specific program features—such as asset limits, employment verification requirements, and outreach methods—also factor into differences in earnings and average earnings.

**Participants’ characteristics.** State-to-state differences in participants’ characteristics are also responsible for differences in earnings. These include demographic characteristics such as age, education level, and race or ethnicity; health characteristics such as general health status and type and severity of the disability; and employment characteristics such as work experience.

## Next Steps

Although most Buy-In participants are working for pay, their earnings are generally low and highly variable across states. Though useful, these findings tell only a small part of the story. To complete the narrative, upcoming issues in this series will report on Buy-In enrollment, participant characteristics, other employment measures, Medicaid service use and costs, and participants’ involvement in other public programs—all of which policymakers will consider as they seek ways to promote employment and improve health outcomes for people with disabilities.

ABOUT THE DATA
Data for this analysis are based on state enrollment records linked with the Social Security Administration’s Master Earnings File, which contains annual earnings information reported on W-2s to the IRS from nearly all workers in the United States. These data are part of a new longitudinal person-level database on Buy-In participants that also contains information from the Supplemental Security Income and Social Security Disability Insurance programs, and from the Medicaid and Medicare programs. The database, constructed by MPR (Liu and Ireys 2006), was made possible through a broad interagency effort to build a comprehensive system for monitoring the employment, health care, and public program participation of people with disabilities.

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<sup>1</sup> See Black and Ireys (2006) for a more complete discussion of factors contributing to cross-state variation in earnings and other program outcomes.

<sup>2</sup> Massachusetts is the only state allowed to set a minimum work requirement because it implemented its program via an 1115 Medicaid waiver, freeing the state from the Buy-In guidelines in both the BBA and the TWWIIA.

<sup>3</sup> This countable income limit is more generous than it appears because of the method used to calculate it. See Black and Ireys (2006).